APPENDIX "A"

UNITED STATES COURT OF APPEALS FOR THE NINTH CIRCUIT

PURER & COMPANY and PHILLIP PURER,
Appellants,
vs.
AKTIEBOLAGET ADDO and ADDO MACHINE COMPANY, INC.
Appellees.
No. 22,037

[March 14, 1969]
Appeal from the United States District Court for the Central District of California

Before: HAMLEY and HAMLIN, Circuit Judges, and PLUMMER,* District Judge

This action was commenced in the United States District Court for the Central District of California by appellees to obtain a preliminary injunction, a permanent injunction, damages for patent infringement, trademark, infringement and unfair competition, and for costs and attorneys' fees.

The case was tried by the court without a jury. Judgment was entered enjoining appellants from engaging in unfair competition and infringing appel-

*The Honorable Raymond E. Plummer, United States District Judge for the District of Alaska.

lees' patents and awarding appellees the sum of $36,905.17 as reasonable costs and attorneys' fees. From this judgment, a timely appeal was taken.

The United States District Court had jurisdiction under 28 U.S.C.A. § 1332 and 28 U.S.C.A. § 1338. This court has jurisdiction under 28 U.S.C.A. § 1291.

Appellants' first specification of error relates to the ruling of the trial court allowing certain exhibits into evidence over objections. Included in these are certain financial reports of Addo which were admitted into evidence as appellees' Exhibits 3, 4 and 48.

Exhibit 3 is Addo's financial report for 1965. It consists of twenty-three pages apparently printed in the Swedish language with a five-page summary in English. This exhibit was admitted to show that Addo was a world-wide organization.

Gunnar Agrell, the president of Addo, testified without objection to facts which sufficiently established the worldwide nature of Addo's business activities. During the trial, counsel for appellants conceded that Addo was a worldwide organization.

In the absence of a showing that the admission of Exhibit 3 was inconsistent with substantial justice or that appellants' substantial rights were affected, the asserted error must be disregarded.

Exhibit 4 is a summary of Addo's records prepared by the accounting department pursuant to Gunnar Agrell's instructions. Exhibit 48 is a computation of

the advertising expenditures of Addo Machine Company for the years 1963 through 1967 prepared at the request of Mr. George Agrell.

Exhibits 4 and 48 were relevant to an issue of fact which remained to be litigated.[1] They were properly admitted into evidence. Section 1509, California Evidence Code.[2]

No request was made by appellants for the production of the original records from which the summaries were made. Consequently, the trial court was not called upon to exercise its discretion as to whether or not the records should be produced for inspection. See *Baker and Ford Co. v. United States,* 363 F.2d 605, 607 (9th Cir. 1966).

Appellants assert that plaintiffs' Exhibits 8, 9, 10, 11, 13, 14 and 16 referred to as the Lindeteves-Jacoberg correspondence, the photographs marked plaintiffs' Exhibits 12a-12h inclusive and 44a, and Exhibits 17, 18 and 43, referred to as the Tokyo-Denki letters, were improperly admitted into evidence. They further assert that as a result thereof there is no evidence to support the court's findings of fact 23, 24, 25, 26, 27, 28, 29, 30, 31 and 50.

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[1]C.T. p. 541: "24. Whether plaintiffs Addo and Addo Machine, Inc. have at great expense over many years established a complete and successful organization of distributors and retailers of Addo products in the Unted States."

[2]Section 1509 of the California Evidence Code provides: "§ 1509. *Voluminous writings*—Secondary evidence, whether written or oral, of the content of a writing is not made inadmissible by the best evidence rule if the writing consists of numerous accounts or other writings that cannot be examined in court without great loss of time, and the evidence sought from them is only the result of the whole; but the court in its discretion may require that such accounts or other writings be produced for inspection by the adverse party."

Gunnar Agrell, president of Addo, testified in substance and without objection to the following facts. He first heard of Toshiba Adding Machine Model BC-4001 in 1960 or 1961. In 1960, Addo received a brochure of Model BC-4001 from Lindeteves-Jacoberg.

After receiving a letter from Lindeteves-Jacoberg dated December 12, 1962, he went to Stockholm to the Swedish Export Association and asked them to get the information about Japanese firms copying Swedish products. This information was later supplied to him and Addo then decided to go through diplomatic channels through the Swedish Embassy in Tokyo to the Japanese authorities. Addo's decision was made known to Lindeteves-Jacoberg by a letter dated January 11, 1963. A reply was received from Lindeteves-Jacoberg by letter dated May 15, 1963. Addo then decided to buy a Model BC-4001 adding machine and did buy one through Lindeteves-Jacoberg in Japan. On June 28, 1963, Addo received a letter dated June 26, 1963, which had attached or enclosed a letter dated June 13, 1963 from Lindeteves-Jacoberg's Tokyo office to the charges d'affaires of the Embassy of the Kingdom of Sweden at Tokyo.

Addo eventually received from Japan the Model BC-4001 adding machine which had been purchased by Lindeteves-Jacoberg. Mr. Agrell saw the machine when it arrived in Sweden. He inspected it to see whether there was any model number. It was Model 4001.

The machine was taken to Addo's laboratory and photographed on orders from Mr. Agrell. At the same

time, photographs were made of an Addo-X-341E. He saw the two machines side by side and inspected the photographs after they were taken. At the trial, Mr. Agrell was able to identify from the photographs which machine was the Toshiba Model BC-4001 and which was the Addo-X 341E although it was difficult to do so because the machines were so similar.

The photographs were then sent to Lindeteves-Jacoberg. Thereafter, Addo received a report from Lindeteves-Jacoberg as to what was done with the pictures. In the report, certain recommendations were made as to what further action Addo should take. By a letter dated April 15, 1964, Lindeteves-Jacoberg forwarded Addo a copy of a report it had received from the Royal Sweedish Embassy at Tokyo.

After receiving this document, Addo wrote Tokyo Denki on April 28, 1964 on the subject of Model BC-4001. Mr. Agrell saw this letter before it was sent. No answer was received so in July of 1964 another letter was sent to Tokyo Denki requesting a reply. Mr. Agrell also saw this letter before it was sent.

By a letter dated November 25, 1965, Tokyo Electric Company acknowledged receipt of Addo's letter of April 1964. It is evident from this letter that it is a reply to Addo's letter to Tokyo Denki dated April 8, 1964. The letter refers to Tokyo Electric Company's adding machines Model BC-4001 and BC-4011. It recites that the sale of BC-4001 had been discontinued in May of 1965 and Model BC-4011 had been substituted

in its place in April of 1965. A photograph of the substitute machine, Model BC-4011, was enclosed.

The record establishes that Tokyo Electric Co., a subsidiary of Toshiba, was the manufacturer for appellants, and that Purer & Company was sales agent for Tokyo Electric Company.

Appellants having failed to raise objection to Mr. Gunnar Agrell's testimony at the trial, the objection is deemed waived. *Washington State Bowling Prop. Assn. v. Pacific Lanes, Inc.,* 356 F.2d 371, 381 (9th Cir. 1966).

The presumption on appeal is that the trial judge disregarded incompetent evidence and relied upon competent evidence. *Pursche v. Atlas Scraper & Engineering Co.,* 300 F.2d 467, 488 (9th Cir. 1961); cert. den. 371 U.S. 911; rehearing denied, 371 U.S. 959.

The letters from Addo to Tokyo Denki were authenticated by the testimony of Gunnar Agrell, and the letter from Tokyo Electric Company was self-authenticating as a reply. See California Evidence Code, Sections 1420 and 1421; *Conner v. Zanuzoski,* 36 Wash. 2d 458, 218 P.2d 879, 883.

Mr. Agrell's undisputed testimony and the exhibits properly admitted into evidence provide substantial evidence in support of the court findings 23, 24, 25, 26, 27, 28, 29, 30 and 50.

The court's finding number 31 is a misstatement, in that the record clearly reflects that Tokyo Electric Co.,

by its letter of November 24, 1965, did reply to Addo's letter of April 28, 1964. However, whether Addo wrote Toshiba and did or did not receive a reply is immaterial. This fact is not recited in the pretrial conference order as an issue of fact remaining to be litigated and it is not an issue necessary to a determination of this case. In the absence of a showing of prejudice by appellants, this misstatement by the trial court must be disregarded.

Appellants object to the admission of the Dun & Bradstreet report, Exhibit 39, on the ground that it is hearsay and not admissible into evidence.

Gunnar Agrell testified that he first learned Purer & Company had originally been incorporated as a California corporation under the name of Tokyo Electric Company International when he got the Dun & Bradstreet report sometime in July of 1965.

The pretrial conference order entered December 12, 1966 recites as an admitted fact that defendant Purer & Company is a California corporation organized under the name Tokyo Electric Company International in June 1964, and changed its name to Purer & Company by an amendment of its articles of incorporation filed December 8, 1964.

There is nothing contained in the court's finding 56 that was not testified to by Mr. Agrell and admitted by appellants in the pretrial order. It is presumed that the court's finding was based on the competent evidence in the case.

If the court erred in admitting this document, we are convinced from our review of the record that appellants were not prejudiced thereby and the error, if any, was harmless.

Plaintiffs' Exhibits 29, 30 and 32 consisted of interoffice correspondence between Gunnar Agrell and his brother George. They were admitted in evidence for the purpose of showing the state of mind of Gunnar Agrell, the president of Addo, and not for the truth of their contents.

Plaintiffs' Exhibits 53, 54, 55, 56 and 57 are letters reflecting the reaction of Addo machine dealers to literature received from appellants regarding their Tokyo Electric adding machine. These exhibits were not admitted for the truth of the matter stated therein, but for the limited purpose of showing the attitude and state of mind of the dealers under the circumstances.

Appellants have not brought to the court's attention any findings of facts based upon these exhibits. In the absence of such a showing and of a showing that appellants were prejudiced thereby, the assertions must be disregarded.

Appellants' second specification of error relates to the admissions made by defendants Phillip Purer to George Agrell and Carl Gronhagen.

Mr. Agrell testified without objection that he first met Phillip Purer around the middle of September 1965 in New York City. Mr. Purer told him that he had been working with the Toshiba people. In his business

relations with Toshiba, he had seen the BC-4001 machine and had expressed interest to Toshiba to import and market that machine in the United States. He stated that Toshiba wasn't [interested] in doing so since they might risk conflict with the patents Addo was holding in the United States. He said that this was the reason he approcahed Addo in order to obtain the patents to clear the way for the import of the Toshiba machines in the United States. Mr. Agrell suggested to him that if he went around the patent, he could possibly import the machines but that he could not call it an Addo licensed machine. Mr. Purer acknowledged that that was the problem.

Mr. Gronhagen testified that he contacted Mr. Purer about the first week in September of 1965, and Mr. Purer came to his office. During that meeting, Mr. Purer stated that there was no doubt that the machine was already being manufactured at the time that he started negotiations for the license agreement. Mr. Gronhagen's testimony was not objected to nor was he questioned on cross-examination regarding his conversation with Mr. Purer.

Where, as here, the case was tried to the court, it was the province of the court to determine the credibility of witnesses and the weight to be attached to their testimony and the inferences to be drawn therefrom in the same manner that the jury should do in a case tried to a jury.

Mr. Purer was present throughout the trial. If in fact the testimony of the witnesses Agrell and Gron-

hagen was false, mistaken or incorrect in any respect, Mr. Purer had the opportunity to present his version of the conversation for the court's consideration during the trial.

The admissions of a party made directly by him are admissible in evidence against such party where they are inconsistent with the claim he asserts in the action. The evidence relating to Mr. Purer's admissions was properly admitted by the trial court.

Appellants' third specification of error challenges the correctness of the trial court's finding that Addo was induced to enter the license agreement of April 1, 1965 because of the fraudulent representations made by the appellants.

To support their contentions, appellants present citations setting forth general statements of law relating to the subject of fraud and then state their conclusion that it is obvious that Addo did not rely upon any alleged misrepresentations of Purer in issuing the license agreement.

They next suggest that since the negotiations of the parties which led to the issuance of the license were in writing that the findings of the trial court are not controlling since this court is in as good a position as the trial court to interpret documentary evidence. This court, however has no such power. *Randall Foundation, Inc. v. Ridell,* 244 F.2d 803, 805 (9th Cir. 1957); *Lundgren v. Freeman,* 307 F.2d 104, 113-115 (9th Cir. 1962).

Appellants then recite their version of the evidence

in an attempt to establish the incorrectness of the findings made by the trial court. Unless clearly erroneous, such findings are presumptively correct. *United States v. Kintner*, 216 F.2d 418, 426 (9th Cir. 1954).

It is not incumbent upon appellees to persuade this court that the district court's findings are correct. To the contrary, the appellants must persuade his court that such findings ars, as claimed by appellants, clearly erroneous. This court must view the evidence in the light most favorable to the parties who prevailed below. Such parties must be given the benefit of all inferences that may reasonably be drawn from the evidence. The findings of the trial court sitting without a jury must be accepted unless they are clearly erroneous. They cannot be upset if they are supported by substantial evidence. *Pacific Queen Fisheries v. Symes*, 307 F.2d 700, 706 (9th Cir. 1962).

From our review of the record, we conclude that the trial court's findings relating to the issue of fraud are supported by substantial evidence.

Appellants' fourth specification of error challenges the correctness of the court's findings of fact and conclusions of law with reference to the issue of unfair competition.

The court found that appellants, after notice of the recision of the license agreement, imported into the United States and offered for sale TEC 7001 adding machines which incorporated Addo's patented inventions. That appellants, in September of 1965, falsely

represented their adding machine was being manufactured under a license agreement dated April 1965 between Addo and Purer Company. That appellants falsely advertised and represented that the TEC machine had a history of five years top sales experience and over one million satisfied users. At the time appellants made these representations, Addo had manufactured more than one million business machines and used the advertising slogan "Machines for Millions."

From these findings of fact, the court concluded that appellants' importation and sale of adding machines incorporating Addo's patented inventions, after recision of the patent license agreement on July 22, 1965, and their advertisement and representation of the connection between the TEC 7001 and Addo, constituted unfair competition.

The court's findings are supported by substantial evidence and its conclusions of law are supported by the law. *Pursche v. Atlas Scraper & Engineering Co., supra; Upjohn Co. v. Schwartz,* 246 F.2d 254 (2d Cir. 1957); *Stork Restaurant v. Sahati,* 166 F.2d 348 (9th Cir. 1948); *Hanson v. Triangle Publications,* 163 F.2d 74 (8th Cir. 1947); *Ford Motor Co. v. Benjamin E. Boone, Inc.,* 244 F. 335 (9th Cir. 1917); *Volkswagenwerk G.m.b.H. v. Frank,* 198 F. Supp. 916 (D. Colo. 1961).

Appellants' fifth specification of error relates to plaintiffs' second cause of action for trademark infringement.

The second cause of action set forth in the complaint alleges a claim for violation of a registered trademark.

On November 23, 1966, defendants advised plaintiffs in writing that on December 12, 1966 they would move the court for judgment on the second cause of action and for an order directing the Commissioner of Patents to cancel these trademarks on the ground that they were descriptive and non-registerable. On December 12, 1966, plaintiffs orally moved the court that the trademark cause of action be withdrawn. After due deliberation and consideration, the second cause of action was dismissed by the court. Before this was done, the judge observed that he could not see how the interest of justice would be served by refusing to allow plaintiffs to withdraw their second cause of action in view of the fact that in the course of discovery they had come to the conclusion that plaintiffs would be unable to show that defendants were actually infringing their trademarks.

A motion for dismissal after the filing of an answer or a motion for summary judgment is within the sound discretion of the court, whose order is reviewable only for abuse of discretion. *Blue Mountain Construction Co. v. Werner,* 270 F.2d 305 (9th Cir. 1959), cert. den. 361 U.S. 931; *Johnston v. Cartwright,* 355 F.2d 32 (8th Cir. 1966). From our review of the record, we find no abuse of discretion on the part of the trial court. In their sixth specification of error, appellants contend that this was not a patent infringement case.

The first cause of action set forth in the complaint clearly alleges a claim for patent infringement. The answer thereto admits that the letters patent here involved were duly issued by the United States and generally denies all other material allegations. The pretrial conference order of December 12, 1966 recites that the issues of patent infringement and unfair competition are raised in the first and third causes of action of the complaint and in the answer.

The pleadings relating to the first cause of action clearly raise the issue of patent infringement. Although defendant in its answer alleges as an affirmative defense the purported licensing agreement of April 1, 1965, this does not change the legal effect of plaintiffs' claim. The first rule relating to jurisdiction in patent matters is to the effect that a case is within the exclusive federal jurisdiction when it seeks to enforce a patent against an infringer, even though the complaint may show, in anticipation of a defense, the existence of an agreement between the parties relating to the patent. *Lear Siegler, Inc. v. Adkins,* 330 F.2d 595 (9th Cir. 1964). This being so, the assertion of an agreement in an answer as a matter of defense would not remove the claim from the exclusive federal jurisdiction.

When the pleadings were closed, it was incumbent upon plaintiffs, in order to prevail, to prove (1) the validity of their patents, and (2) that they were infringed.

The admission by defendants in their answer that the patents were duly issued by the United States gave

rise to a presumption of validity which could only be overcome by clear and convincing proof to the contrary. *Neff Instrument Corp. v. Cohn Electronics, Inc.*, 298 F.2d 82 (9th Cir. 1962).

The presumption of validity and the concession made by appellants in the pretrial conference order did not remove the issue of validity from the case. It merely made that issue one which was conceded and required no proof. The question of infringement remained as a factual issue to be determined by the court. *Reynolds-Southwestern Corp v. Dresser Industries, Inc.*, 372 F.2d 592 (5th Cir. 1967).

In order to constitute infringement, there must exist substantial identity of function, means, and results. *Pursche v. Atlas Scraper & Engineering Co., supra*, p. 483. An infringing device must perform substantially the same function or accomplish a substantially identical result by substantially identical means, and the principle or mode of operation must be the same. *Reynolds-Southwestern Corp. v. Dresser Industries, Inc., supra*, p. 595.

The court's comprehensive findings of fact relating to the issue of patent infringement are supported by substantial evidence, and these findings support the court's conclusion of law that defendants' importation and sale of adding machines incorporating Addo's patented inventions constituted a patent infringement *ab initio*.

Appellants object to the trial court's award of at-

torneys' fees and costs to appellees. Section 285 of Title 28, U.S.C.A. provides that the court in exceptional cases may award reasonable attorneys' fees to the prevailing party.

In patent cases, attorneys' fees should be awarded only in extraordinary cases. The exercise of discretion in favor of an allowance of attorneys' fees should be based upon a finding of unfairness or bad faith in the conduct of the losing party, or some other equitable consideration of equal force, which makes it grossly unjust that the prevailing party be left to bear the burden of his own counsel fees. *Rohr Aircraft Corporation v. Rubber Teck, Inc.*, 266 F.2d 613, 624 (9th Cir. 1959); *Park-In-Theaters v. Perkins*, 190 F.2d 137, 142 (9th Cir. 1951).

In this case, the trial court found that appellants had been guilty of fraud in obtaining the patent license and, after the patent license had been rescinded, knowingly continued their patent infringement. The conclusion that appellants were guilty of bad faith and inequitable conduct was fully justified by the evidence before the trial court. The trial court specifically found that appellants' conduct made this an exceptional case in which an award to Addo of its attorneys' fees and expenses should be granted.

The amount of an award of attorneys' fees is addressed to the sound discretion of the court. *Monolith Portland Midwest Co. v. Kaiser Aluminum & Chemical Corp.*, 267 F.Supp. 726, 789 (S.D. Cal. 1966). Where the district court has clearly stated the basis for its

award of attorneys' fees, this court may not interfere with the district court's exercise of discretion except where there is an abuse of discretion amounting to caprice or an erroneous conception of law on the part of the trial judge. *Shingle Product Patents v. Gleason,* 211 F.2d 437, 441 (9th Cir. 1954); *Dubil v. Rayford Camp Co.,* 184 F.2d 899, 903 (9th Cir. 1950).

Appellants also object to the taxing of costs to include the actual travel expenses incurred in the taking of a deposition in Sweden and in bringing witnesses from Sweden and New York to California. The former rule in the Ninth Circuit has been that travel expenses are not allowed for travel beyond the area in which a subpoena of the trial court could be effectively served. *Kemart Corp. v. Printing Arts Research Lab.,* 232 F. 2d 897, 902 (9th Cir. 1956). However, the Supreme Court has more recently held that the taxation of actual travel costs is within the discretion of the trial court. *Farmer v. Arabian American Oil Co.,* 379 U.S. 227, 232 (1964). Exercising its discretion, the trial court concluded that the actual travel costs in this case were taxable costs to be assessed against appellants.

The trial court's findings and conclusions with reference to costs and attorneys' fees are supported by the record.

We have reviewed the orders of the trial court denying defendants' motion to compel plaintiffs to fully and completely answer questions on interrogatories, denying defendants' motion to preclude the testimony of Carl Gronhagen, denying defendants' motion for

judgment on the second cause of action, granting plaintiffs leave to withdraw their second cause of action, and all other errors specified by appellants. Having done so, we find the asserted errors to be without merit.

Judgment affirmed.

APPENDIX "B"

UNITED STATES COURT OF APPEALS
FOR THE NINTH CIRCUIT

[Filed May 29, 1969, Wm. B. Luck, Clerk.]

PURER & COMPANY and PHILLIP PURER, *Appellants,*	)	
vs.	)	No. 22,037
AKTIEBOLAGET ADDO and ADDO MACHINE COMPANY, INC., *Appellees.*	)	

ON PETITION FOR REHEARING

Before HAMLEY and HAMLIN, Circuit Judges, and PLUMMER, District Judge.

ORDER

After due consideration, it is ORDERED:

1. The first and second full paragraphs on page 9 of the slip opinion published by Pernau-Walsh Printing Co., San Francisco, on March 14, 1969, are amended to read as follows:

(a) "The granting of a motion by the plaintiffs for voluntary dismissal after the filing of an

answer or a motion for summary judgment is reviewable only for abuse of discretion. *Blue Mountain Construction Co. v. Werner,* 270 F.2d 305 (9th Cir. 1959), cert. den. 361 U.S. 931; *Johnston v. Cartwright,* 355 F.2d 32 (8th Cir. 1966). From our review of the record, we find no abuse of discretion on the part of the trial court."

(b) "In their sixth specification of error, appellants contend that this was not a patent infringement case. The first cause of action set forth in the complaint clearly alleges a claim for patent infringement. The answer thereto admits that the letters patent here involved were duly issued by the United States and generally denies all other material allegations. The pre-trial conference order of December 12, 1966 recites that the issues of patent infringement and unfair competition are raised in the first and third causes of action of the complaint and in the answer."

2. The petition for rehearing is denied.

s/FREDERICK G. HAMLEY
United States Circuit Judge

RAYMOND E. PLUMMER
United States District Judge.

APPENDIX "C"

UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA

[Filed March 10, 1967, Clerk, U. S. District Court, Central District of California, by G. Grimm, Deputy]

AKTIEBOLAGET ADDO, a corporation, and ADDO MACHINE COMPANY, INC., a corporation, *Plaintiffs,* vs. PURER & COMPANY, a corporation, and PHILLIP PURER, *Defendants.*	No. 65-1602-WPG

FINDINGS OF FACT AND CONCLUSIONS OF LAW

This cause having come on for trial on the merits and the court, having heard the evidence and considered the pleadings, briefs and memoranda of the parties and the arguments presented at trial, finds the facts and states the conclusions of law as follows:

FINDINGS OF FACT

1. The court has jurisdiction in that the cause is one arising under the patent laws of the United States, there is diversity of citizenship between the plaintiffs and defendants and the amount in controversy exceeds $10,000 exclusive of interest.

2. Plaintiff Aktiebolaget Addo (in English, Addo Corporation, hereinafter referred to as "Addo") is a corporation organized and existing under the laws of the Kingdom of Sweden with its principal place of business at Malmo, Sweden.

3. Since 1918 Addo has been engaged in the manufacture of adding machines, calculating machines and business machines that are sold in many parts of the world, including the United States.

4. Sales by Addo and its foreign subsidiaries of Addo products amounted to more than $122 million in the years 1962 through 1966, inclusive.

5. In addition to sums expended by its foreign subsidiaries, Addo spent over $4 million on engineering and research during the five years 1962 through 1966, inclusive.

6. Because of the extensive research and engineering program carried on by Addo, because of the high quality of the materials used in the assembly of such machines and because of the careful assembly, inspection and testing of such machines, adding machines bearing the name Addo have developed a valuable reputation in the United States and throughout the world.

7. Addo is the owner of United States Letter Patent No. 2854190, which describes an invention for retarding the start of a function cycle until the carriage of an adding machine has stopped moving. Application for such patent was filed on February 1, 1955, and the patent duly issued September 30, 1958.

8. Addo is the owner of United States Letter Patent No. 2985363, which describes a shock absorbing mechanism to reduce rebounding and machine noise during high-speed operation. Application for such patent was filed on March 16, 1956, and the patent duly issued May 23, 1961.

9. The validity of said patents has been conceded by defendants.

10. Plaintiff Addo Machine Company is a corporation organized and existing under the laws of the State of New York with its principal place of business in New York, New York.

11. Addo Machine Company is the exclusive importer into the United States and distributor in the United States of the products manufacured by Addo and has the exclusive right to use the name Addo in the United States.

12. The wholesale value of sales of Addo products in the United States by Addo Machine Company in the five years commencing February 1, 1962, and ending January 31, 1967, has been in excess of $19 million. Addo Machine Company's expenditure for advertising and publicity in the same period has been in excess of $430,000.

13. Addo Machine Company has, at substantial effort and expense, developed a nationwide network of approximately 800 dealers with sales and service facilities for Addo products.

14. Addo Machine Company has conducted numerous courses designed to instruct mechanics employed by adding machine dealers in the servicing and repair of Addo adding machines.

15. Adding machine dealers selling Addo adding machines in the United States maintain substantial stocks of spare parts and of tools designed for the servicing and repair of Addo adding machines.

16. Defendant Purer & Company is a corporation organized and existing under the laws of the State of California with its principal place of business in Los Angeles, California.

17. Defendant Purer & Company was organized under the name of Tokyo Electrict Company International in June, 1964, and changed its name to Purer & Company by an amendment of articles of incorporation filed with the Secretary of State of California on December 8, 1964.

18. In February, 1965, defendant Purer & Company received permission from the California Corporations Commissioner to issue 100 shares of stock. One hundred shares were issued in March, 1965.

19. Defendant Phillip Purer is an individual residing in California.

20. Defendant Phillip Purer is also a member of a partnership doing business as Purer & Company. No certificate of doing business under a fictitious name has been filed for the partnership.

21. Defendants are engaged in the business of importing from Japan and selling in the United States business machines, including adding machines and calculating machines.

22. The basic adding machine mechanism manufactured by Addo during the years 1960 through 1965 was the Model No. 341-E. This mechanism is used in the 341-E adding machine and in the larger business and calculating machines built from such mechanism. Such adding, business and calculating machines based on the 341-E mechanism employ the inventions disclosed in the aforesaid United States patents owned by Addo.

23. In 1960 a subsidiary of the Japanese Toshiba manufacturing combine began manufacturing in Japan substantially exact mechanical copies of the Addo 341-E mechanism, which copies incorporated the inventions disclosed in Addo's aforesaid United States patents.

24. The Toshiba adding machine which copies the 341-E adding machine bore the Model No. 4001.

25. Although almost an exact mechanical copy of the Addo 341-E adding machine, the Toshiba 4001 adding machine was made of inferior materials which resulted in slower operation, shorter useful life, and greater frequency of repairs.

26. Addo diligently engaged in attempts to stop the manufacture by Toshiba of adding machines which copied the Addo adding machine mechanism.

27. Addo protested the manufacture of the Japanese

copy and made its protests through the Swedish Export Association, the Swedish Embassy in Japan and Addo's agent in Japan, a Dutch firm named Lindeteves-Jacoberg N.V.

28. Thereafter Addo was advised that Toshiba first claimed that the machine it manufactured was the product of independent design and was not a copy of the Addo adding machine.

29. Upon being informed of such claim, Addo purchased one of the Toshiba 4001 adding machines and made detailed photographs of the Toshiba 4001 mechanism and of the comparable parts of the Addo 341-E mechanism which showed the identity of the mechanisms. The copies were sent by Addo to its agent in Japan to be used in further efforts to halt the production of the Japanese copy.

30. Thereafter, Addo was advised that after the photographs had been received in Japan, the Swedish Embassy was informed in February, 1964, that (1) Toshiba would soon put on sale an adding machine of its own design, (2) that the Toshiba 4001 adding machine would be remodeled, (3) that production of the Toshiba 4001 would be discontinued as soon as feasible, and (4) that Toshiba would negotiate directly with Addo regarding the date and terms of such discontinuance.

31. Addo wrote Toshiba in the spring and again in the summer of 1964 requesting further information about such discontinuance, but received no reply.

32. Addo would not willingly have permitted the Toshiba 4001 adding machine to be sold in the United States or in any other country where Addo held patents disclosing inventions employed in the Toshiba 4001 adding machine.

33. Defendant Phillip Purer visited the Toshiba facilities in Japan on several occasions prior to November 27, 1964.

34. On at least one occasion defendant Phillip Purer saw the Toshiba 4001 adding machine and requested that he be allowed to import into the United States and sell in the United States such adding machine.

35. Defendant Phillip Purer was informed by Toshiba that Addo held patents on such adding machine and that it could not be sold in the United States without Addo's permission.

36. Defendants then embarked upon a course of conduct designed to obtain by fraudulent means a license to use Addo's aforesaid United States patents.

37. By letter dated November 27, 1964, defendants wrote to Addo requesting that they be granted a license to use Addo's United States Patents Nos. 2854190 and 2985363. The letter stated:

> "Our company has just completed the engineering and prototype of an Adding Machine to be marketed in the United States. After a close investigation of the existing patents in the United States, we find that there exists some similarity in our design and your patent numbers 2,985,363 and 2,854,190.

"As we are not a company to engage in long litegation [sic], this investigation of patents is a part of our procedure.

"At this time we are not questioning the validity of these patents, but have chosen to contact you and request your approval. We would be willing to enter into a nominal licensing arrangement with your company if it would be feasible to do so.

"Our program will be status quo until we hear from you. Please inform me as soon as possible as to what you decide.

Very truly yours,
PURER & COMPANY
/s/Phil Purer
Phillip Purer, President"

38. By letter dated December 17, 1964, Addo answered defendants' request, stated that it would be willing to grant a license to use the two patents and set forth the terms and conditions under which such license would be granted.

39. Defendants replied by letter dated December 21, 1964. The letter of December 21 stated in part:

"In reply to your letter of December 17, in reference to a license on our proposed adding machine, we wish to state that we will accept the terms outlined in this letter, with a few exceptions.

"We propose to manufacture approximately 10,000 machines per year and will be willing to pay your set fee of 30c per unit, as indicated in your letter. We also note that there are several other patents that you have on this machine which we

are not sure we will use. This, we expect to be included in the license agreement drawn up by you. In other words, we expect to have full coverage from your company on our product."

40. After some delay due to problems in obtaining a form of patent license and in revisions and translation into English of the license form by Addo's president, a patent license signed by Addo was sent to defendants on March 17, 1965.

41. By letter dated April 14, 1965, defendants replied and acknowledged receipt of the proposed license. The letter of April 14 stated in part:

"The agreement is acceptable in its present form, with one exception being Paragraph Number 9 in which you state the minimum royalty amount is to be $3,000.00. This, we would like you to change, as our production will be very small in which we expect to produce approximately 300 machines per month starting in May of this year."

42. By letter dated May 18, 1965, Addo agreed to the modification of the license and, by letter dated June 2, 1965, defendants returned to Addo a fully executed copy of the license as modified.

43. The license was obtained by false and fraudulent representations of defendants in that the above quoted statements were false and fraudulent in each of the following respects, among others:

(a) The adding machine which defendants intended to sell in the United States was not an add-

ing machine to be manufactured by or under the control of defendants. Defendants intended to import the Toshiba copy of the Addo adding machine which had been in production in Japan for approximately five years.

(b) Defendants had not just completed or otherwise done the engineering or the prototype of an adding machine as claimed in the letter of November 27, 1964.

(c) The design to which defendants referred did not bear "some similarity" to Addo's patents, as was claimed in the letter of November 27, 1964; it was a virtually exact copy of the Addo 341-E adding machine in both its patented features and unpatented features.

(d) "Our proposed adding machine" referred to in the letter of December 21, 1964, was not an adding machine belonging to defendants and was not a "proposed" adding machine; it was the Toshiba copy of the Addo adding machine and it was in production.

(e) Although Addo does have United States patents for devices employed in adding machines other than the two aforesaid patents, only the two aforesaid patents are employed in the Addo 341-E adding machine and its copy, the Toshiba 4001 adding machine. There were no "other patents" that defendants might employ in their "proposed" machine as claimed in the letter of December 21, 1964.

(f) The representation in defendants' letter of April 14, 1965, that "our production will be very small in which we expect to produce approximately 300 machines per month starting in May of this

Year'' was false and fraudulent in that it was not defendants' production but Toshiba's production and the adding machine was not commencing in a small amount in May, 1965, but had been in production in substantial amounts since 1960.

44. Each of these false and fraudulent representations was made with knowledge of its falsity and with the intention that Addo should rely thereon.

45. Addo did rely upon such representations in entering into the patent license agreement.

46. Addo would not have granted such patent license had it known that defendants had not designed an adding machine of their own but were intending to import the Japanese copy of the Addo machine.

47. Had Addo been informed that the true name of defendant Purer & Company was Tokyo Electric Company International on November 27, 1964, a name showing a Japanese connection, Addo would have made inquiry as to the nature of the machine claimed to have been designed by defendants and as to the identity of its manufacturer.

48. Tokyo Electric Company is the English name of a subsidiary of Toshiba. Although Addo did not know of the name Tokyo Electric Company until June, 1965, they did know of it under its Japanese name Tokyo Denki and knew that Tokyo Denki was the Toshiba subsidiary manufacturing the copy of the Addo 341-E.

49. In June, 1965, defendants caused the Tokyo Electric Company Model 4011 adding machine to be

advertised at a business machine show in Chicago and represented that such machine was manufactured under license from Addo.

50. The Tokyo Electric Company 4011 adding machine was the same as the Toshiba 4001 adding machine except that the case had been redesigned.

51. The Tokyo Electric Company 4011 adding machine displayed and advertised by defendants bore the label "TEC" and was given the model number 7001 in defendants' advertising of such machine.

52. Plaintiffs purchased one TEC 7001 adding machine from an adding machine dealer who had purchased two such adding machines from defendants on or about October 8, 1966.

53. Over ninety percent of the parts of the TEC 7001 adding machine are identical in size, shape and design with the similar parts of the Addo 341-E adding machine to the extent that they are interchangeable between the TEC 7001 adding machine and the Addo 341-E adding machine.

54. On June 21, 1965, Addo received a copy of the brochure for the TEC 7001 machine, upon which brochure appeared the name Purer & Company.

55. By letter dated June 21, 1965, Addo made inquiry of defendants as to the source of the TEC 7001 machine and received a reply from defendants that the TEC 7001 adding machine was manufactured by TEC, a subsidiary of Toshiba.

56. Addo further learned in July, 1965, through a Dun & Bradstreet report that defendant Purer & Company's correct corporate name at the time of the November 27, 1964, request for the license had been Tokyo Electric Company International, not Purer & Company.

57. Addo thereupon gave notice by letter dated July 22, 1965, of the rescission of the patent license agreement and returned to defendants all consideration given therefor.

58. Addo's notice of rescission and return of consideration was a timely and effective rescission of the license agreement.

59. Said rescission was justified by the false and fraudulent representations defendants had made to obtain the license agreement and by the concealment of defendants' true intentions and the concealment of the correct corporate name of defendant Purer & Company at the time the license was requested.

60. Notwithstanding the notice of rescission of the license agreement, defendants thereafter imported into the United States and offered for sale such TEC 7001 adding machines.

61. In connection with their attempt to sell TEC 7001 adding machines in the United States, by a letter dated September 30, 1965, sent to Addo adding machine dealers throughout the United States, defendants advertised and represented that:

"This new TEC machine is manufactured under license agreement dated April 1965 between the A. B. Addo Company of Malmo, Sweden and Purer & Company which agreement authorizes us to manufacture and sell these machines under Letters of Patent U.S. 2854190-2985363."

62. In advertising and representing that the TEC machine "is manufactured under license agreement . . . between A. B. Addo Company of Malmo, Sweden and Purer & Company," defendants made false and misleading advertisements and representations in that no such license to copy the Addo adding machine had ever been granted by Addo and the license that had been granted by Addo, if not rescinded, would only have authorized defendants to use the two patented devices, not to build a particular adding machine.

63. In the September 30, 1965, letter defendants further represented that the TEC adding machine had "a history of FIVE years of top sales experience," which, if true, was an admission that it was not an adding machine the engineering and prototype of which had "just" been completed the preceding November.

64. In connection with their attempt to sell such TEC machine in the United States, defendants advertised and represented that said TEC machine had "over one Million satisfied users."

65. Defendants' representation and advertisement that such TEC adding machine had "over one Million satisfied users" was false.

66. At the time defendants represented that said TEC machine had "over one Million satisfied users," Addo had manufactured more than one million business machines and used the advertising slogan "Machines for millions."

67. The TEC 7001 adding machine imported by defendants and offered for sale in the United States is inferior in quality of construction and performance to that of the Addo 341-E adding machine which it copies.

68. Defendants' notice to Addo adding machine dealers of September 30, 1965, was intended to and did create confusion among such dealers as to the sponsorship or endorsement by Addo of the TEC 7001 adding machine.

69. Defendants' notice to Addo adding machine dealers of September 30, 1965, was intended to inform said dealers that said dealers would not have to undertake further training of their mechanics or to acquire furtherstocks of spare parts and special tools for the service of the TEC 7001 adding machine.

70. Defendants' notice to Addo adding machine dealers of September 30, 1965, was intended to convey the impression that while the TEC 7001 adding machine was little more than half the price of the Addo 341-E adding machine, it was authorized and endorsed by Addo and therefore of comparable quality to the Addo 341-E adding machine.

71. The TEC 7001 adding machine was made of inferior materials than those used in the Addo 341-E

adding machine, would not be as long-lived as the Addo 341-E adding machine and would be subject to numerous and repeated mechanical failures.

72. Defendants' claim of sponsorship, endorsement or connection with Addo was an effort to trade upon the good name acquired by Addo and Addo Machine Company through their substantial expense and effort and, unless enjoined, would cause damage to the good name and good will of Addo and Addo Machine Company.

73. Defendants' fraudulent conduct in obtaining the patent license and defendants' knowing and intentional patent infringement after such license had been rescinded make this an exceptional case in which an award to Addo of its attorneys' fees and expenses should be granted.

CONCLUSIONS OF LAW

I

This court has jurisdiction pursuant to 28 U.S.C.A. §§1332 and 1338.

II

The license agreement between Addo and Purer & Company was rescinded by the giving of notice of rescission on July 22, 1965, and return of consideration given for such license.

III

Addo's rescission was justified by the false and fraudulent representations made by defendants.

IV

Defendants' importation and sale of adding machines incorporating Addo's patented inventions constituted patent infringement *ab initio*.

V

Defendants' importation and sale of adding machines incorporating Addo's patented inventions after the patent license rescission of July 22, 1965, constituted unfair competition.

VI

Defendant's advertisement and representation of the connection between the TEC 7001 adding machine and Addo constituted unfair competition.

VII

Plaintiffs are entitled to have the preliminary injunction now in effect made permanent.

VIII

Plaintiffs are further entitled to recover damages and to have an accounting from defendants.

IX

The extraordinary circumstances of this case, involving defendants' fraudulent conduct in obtaining the patent license and knowing infringement of Addo's patents when such license was rescinded, entitle Addo to recover its attorneys' fees and other reasonable expenses incurred in this lawsuit in addition to costs.

The Court having previously ordered that a hearing be held on April 11, 1967, at 10:00 a.m. before the Honorable William P. Gray, United States District Judge, in Hearing Room No. 2, 312 North Spring Street, Los Angeles, California, for the purpose of determining damages, an accounting and Addo's reasonable attorneys' fees and expenses, judgment will thereafter be entered consistent with the foregoing findings of fact and conclusions of law.

Dated: March 10, 1967.

/s/William P. Gray
United States District Judge

MEMORANDUM OF SUPPLEMENTAL FINDINGS OF FACT AND CONCLUSIONS OF LAW, AND ORDER

At the hearing, on April 11, 1967, with respect to accounting and the amount of attorneys' fees, counsel for the defendants asserted the contention that the Court was obliged to allocate attorneys' fees and expenses incurred by the plaintiffs between the patent infringement phase and the unfair competition phase of this litigation, and allow only the fees and expenses allocable to the former. The matter was taken under submission in order that the Court might determine the validity of such contention. I have done so and now find and conclude as follows in this memorandum:

1. Proof by the plaintiffs of the patent infringement committed by the defendants depended upon proof that the license under which the defendants purported to operate was obtained through fraud. The same proof constituted an integral part of the cause of action for unfair competition. The services of the plaintiffs' attorneys would not substantially have been lessened if only the patent infringement count had been litigated.

2. Under the circumstances here concerned, it is not reasonably practicable to attempt to evaluate separately the services rendered under the patent infringement and the unfair competition aspects of the plaintiffs' case, and this Court would not be obliged to make such effort even if it were practicable so to do.

Talon, Inc. v. Union Slide Fastener, Inc., 266 F.2d 731 (9th Cir. 1959).

3. As indicated in conclusion of law No. IX of the Findings of Fact and Conclusions of Law that were signed by the Court and filed on March 10, 1967, the extraordinary circumstances of this case indicate that the plaintiffs should recover from the defendants the attorneys' fees and other expenses reasonably incurred by the plaintiffs in this action. Having considered the affidavits of G. William Shea and Alma S. Flesch, I make the following determination:

(a) The portions of the attorneys' fees and expenses claimed by the plaintiffs that were incurred in other related litigation or that otherwise did not directly involve the present case, should not be charged to the defendants.

(b) There should also be disallowed the portions of the services of associate counsel that, although of unquestioned propriety and helpfulness to lead counsel, might be considered to constitute "backstopping" services that should not be charged to the defendants.

(c) I have taken into consideration the nature and complexity of the case; the length of the trial; the experience, standing and eminence of counsel and the quality of skill demonstrated; the importance of the case to the parties; the nature of the responsibility of plaintiffs' counsel; the time fairly and properly expended in preparation out of court; and the results accomplished on behalf of the plaintiffs.

4. After making the adjustments indicated in subparagraphs (a) and (b) of paragraph 3 hereof, and

after taking into consideration the factors set forth in subparagraph (c), it is found that the sum of $33,000.00 is the reasonable value of the services of the plaintiffs' attorneys that should be charged to the defendants.

5. The portions of the expenses claimed on behalf of the plaintiffs that are found to have been reasonably incurred in the prosecution of this litigation and that are recoverable against the defendants are as follows:

As set forth in the affidavit of Gunnar Agrell	$ 1,418.50
As set forth in the affidavit of George Agrell	400.00
As set forth in the affidavit of Alma S. Flesch	686.67
As set forth in the affidavit of G. William Shea (including the bond premium of $400.00)	1,400.00
TOTAL	$ 3,905.17

6. The accounting by the defendants shows that the defendants did not make any profit stemming from their infringement of the plaintiffs' patent or through unfair competition.

7. This memorandum shall constitute a supplement to the findings and conclusions of March 10, 1967. The plaintiffs' attorneys are directed to prepare a judgment in accordance with such findings and conclusions as now completed.

Date April ?, 1967.

/s/William P. Gray
United States District Judge

APPENDIX "D"

"MR. SHEA: Well your Honor, we are going to have a series of these letters and we might as well face up to this problem now.

"I am going to offer a number of letters which are an exchange of correspondence between Lindeteves-Jacoberg and A. B. Addo, an also involving the Swedish Embassy and the Japanese Foreign Affairs Office, and *I am not going to offer them necessarily as proof of the contents thereof,* but I am going to offer them to establish that some years prior to the negotiations between the defendants and the plaintiffs A. B. Addo were confronted with a copying of their adding machine by Japanese people." (emphasis added.) (R.T. pp. 37-38).

To which the Court responded (C.T. p. 38):

"THE COURT: All right, the court will have to rule upon them upon an individual basis, but I think I know the difference between what is hearsay and what is not hearsay, based upon the purpose for which it was offered."

When the letters were offered as Exhibits the following ensued (R.T. pp. 69-70):

"THE COURT: Well, I take it the plaintiff proposes to link up the matter. I take it that this is submitted to show that the plaintiff has not willingly given a license to the Toshiba Company to

use the patents for either introduction of the machine in the United States or otherwise.

"MR. SHEA: That is right. We would not directly give a license to Toshiba, and we are not going to give it indirectly through Mr. Purer.

* * *

"THE COURT: I have not yet admitted the letters, Mr. Fairfield, *and I am not about to admit letters coming from Lindeteves-Jacoberg as establishment of proof of facts asserted in thos letters, but they will be admitted as a basis for action by these people.* Do you understand." (emphasis added.)

On page 72 of the Reporter's Transcript the following occurs:

"MR. SHEA: I think this would be an appropriate time.

"I hope the court is clear that *I am not offering these letters as proof of everything that is stated in them at all.* I think I made myself clear on that, but if I didn't I would like to repeat my position." (emphasis added.)

When they were received as exhibits the court emphasized its position that they were not being received as to its contents:

"In deciding this case I am not going to do it on the basis of facts asserted in any letters." (R.T. p. 76.)

After reading these exhibits the court again stated

that they were hearsay and that he was admitting them (R.T. p. 79):

> "For that purpose, for the purpose of showing why the Addo people took what action they did in writing to the Japanese organization, Exhibit 16 will be admitted."
>
> "We understand that in some legal systems it is assumed that documents are what they purport to be, unless shown to be otherwise. With us it is the other way around. Generally speaking, documents must be authenticated in some fashion before they are admissible in evidence. This was true at the time of the hearing in this case and it is true under the Evidence Code (Sec. 1400 et seq.) although the code in many instances eases the former requirements. In the case at bar the court simply took counsel's word for it that he could have a witness lay the necessary foundation and that he, the attorney, had obtained the documents from the general counsel of Continental so that they were 'business records under the liberal interpretation.'
>
> "While we have just as much faith in counsel's sincerity as the trial court evidently had, such faith does not take the place of testimony or judicial notice.
>
> "The reception of the documents in evidence was therefore erroneous."

Although a reply letter is deemed authenticated as such this is true only when it has been established that the original letter was actually mailed and that its contents called for an answer. In the present cause not only does this count not state any facts in its opinion

establishing that the letters were properly addressed and deposited in a mail box but ignores the fact that the presumption of receipt from proper mailing is applicable only to mailing in the United States and not in some foreign nation. (Ap. Op. Br. pp. 40-41.)

APPENDIX "E"

(R.T. pp. 53-54)

"Q. And did you inspect it to see whether there was any model number on it?

"A. It was Model No. 4001 which was confirmed by letter from Lindeteves-Jacoberg.

"MR. FAIRFIELD: I move that the latter portion be stricken.

"THE COURT: All right, the latter part may be stricken.

"BY MR. SHEA:

"Q. Now, just confining yourself to what was on the machine, was there anything on the machine which established to show that it was Model BC-4001?

"MR. FAIRFIELD: We would object to it on the ground that the machine would be the real evidence on that.

"THE COURT: Overruled."

We are seeking to accommodation and establish an identification of the pictures.

"MR. FAIRFIELD: That is correct, your Honor. Our position is that the machine is the real evidence and not the photographs.

"THE COURT: Overruled.

"BY MR. SHEA: Q. What was on the machine with reference to a model number?

"A. There was a sign. *I don't remember now.*" (Emphasis added.)